

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF CAPITOL) CASE NO. 6741-C
OIL AND GAS COMPANY)

O R D E R

On February 21, 1978, the Commission issued its Order in Case No. 6741, approving certain rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation allows producers, after proper application, to classify certain gas wells as "stripper" wells and increase the cost of gas produced. Once the Federal Energy Regulatory Commission (FERC), classifies the producer's well as a "stripper" well and the producer increases the cost of gas to the distribution company, state Commissions must, in turn, allow the distributors to pass their increased costs on to their customers by adjusting the basic rates.

On May 5, 1981, the Applicant, Capitol Oil and Gas Company (Capitol Oil), notified the Commission that its wholesale cost of gas would be increased by one of its suppliers, Capitol Producing Company (Capitol), effective April 1, 1981. This increase is in the amount of \$102,481 per year or \$0.204 per MCF based on estimated

gas purchased for twelve months ending December 31, 1980.

After reviewing this evidence of record and being advised, the Commission is of the opinion and finds that:

1. The gas well belonging to Capitol Oil's supplier, Capitol, has been classified as a "stripper" well by the FERC and that Capitol has increased the wholesale cost of gas and said increase became effective April 1, 1981.

2. The application filed May 5, 1981, does not provide the Commission with the twenty day statutory notice and, therefore, the rates should become effective on May 25, 1981.

3. Capitol Oil's adjustment in rates under the Purchased Gas Adjustment Clause approved by the Commission in its Order in Case No. 6741, dated February 21, 1978, is fair, just and reasonable and in the public interest and should be allowed to be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective, but not prior to May 25, 1981.

IT IS THEREFORE ORDERED that the rates including the proposed purchased gas adjustment sought by Capitol Oil be and the same are hereby approved to be effective with gas billed on and after the date the increased cost of wholesale gas becomes effective, but not prior to May 25, 1981, as set out in Appendix A attached hereto and made a part hereof.

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Capitol Oil the base rate for purchased gas shall be:

	<u>Demand</u>	<u>Commodity</u>
Holly Creek	-	\$0.17
Capitol Producing Company		3.236
Panbowl Production		2.00

IT IS FURTHER ORDERED that the information furnished this Commission by Capitol Oil constitutes full compliance with the Commission's Order in Case No. 6741, and any other information ordinarily required to be filed under the Commission's regulations is hereby waived.

IT IS FURTHER ORDERED that within thirty (30) days after the date of this Order, Capitol Oil shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 28th day of May, 1981.

PUBLIC SERVICE COMMISSION

Merlin M. Vohy
For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 6741-C DATED
MAY 28, 1981

The following rates are prescribed for the customers in the area served by Capitol Oil and Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES: Monthly

First	2 MCF	\$3.81 per MCF
Over	2 MCF	3.81 per MCF

The minimum monthly charge is \$5.00 which entitles the customer to less than 2 MCF of gas.